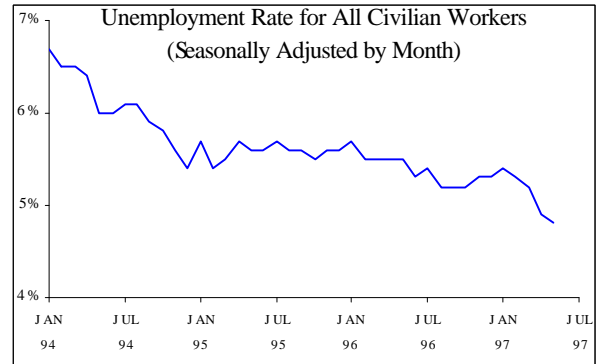
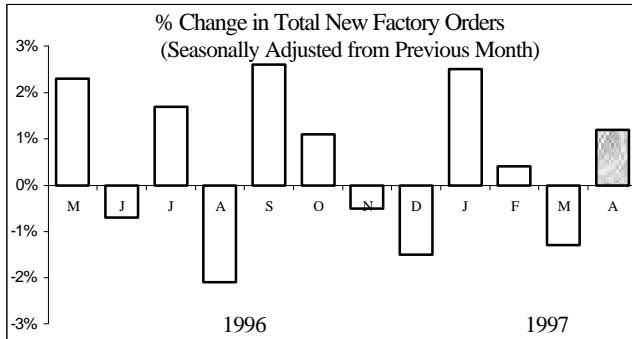


The Economic Bulletin

Volume VIII, #10, June 12, 1997



DEFENSE LEADS OVERALL RISE IN FACTORY ORDERS

The Commerce Department reported that new factory orders rose 1.2% in April, the third rise in the past four months. A 28% rise in defense capital goods orders contributed to this result. Other areas of strong growth included primary metals, fabricated metal products, industrial machinery and transportation equipment. Declining areas included communications equipment and electronic components.

UNEMPLOYMENT FALLS TO TWENTY-THREE YEAR LOW

The Labor Department reported that the seasonally adjusted unemployment rate fell for May to 4.8%, the lowest rate since November 1973. The low unemployment rate alone, however, will probably not provide the Federal Reserve sufficient reason to raise interest rates at this time, particularly in light of rather weak growth in consumer spending. The low unemployment rate in the US is a sharp contrast to the very high rates of 11.4% in Germany and 12.8% in France.

RUSSIAN ECONOMY TO SHRINK AGAIN IN 1997

The Russian government issued revised economic projections that the Russian economy will continue to deteriorate this year. The new report estimates that industrial production and GDP will fall as much as 2% in 1997 and agricultural output will fall 5%; whereas, previous projections indicated a 2% growth in industrial production and a 2% decline in agriculture. If these predictions are correct, new spending cuts will likely be necessary in order to cope with further declining tax revenues.

OIL SUPPLY EXPECTED TO MATCH DEMAND GROWTH NEXT YEAR

The International Energy Agency estimates that world oil demand will be 75.5 million barrels per day (bpd) in 1998, 1.85 million bpd higher than the level expected for 1997. Oil supplies are expected to meet this growth, keeping world oil prices steady. Increased demand is expected to come from developing countries and the former USSR, while increased production by non-OPEC countries is expected to cover increased demand and make up for declining OPEC production.

FUEL PRICES (dollars/bbl) AND EXCHANGE RATES (foreign units/US dollars)

	<u>June 6</u>	<u>May 30</u>		<u>June 6</u>	<u>May 30</u>
Crude Oil (<i>Foreign</i>)	15.57	17.06	DM (<i>Germany</i>)	1.70	1.70
Crude Oil (<i>Domestic</i>)	18.78	20.88	Yen (<i>Japan</i>)	115.9	116.3
Pound (<i>UK</i>)	0.615	0.610	Peso (<i>Mexico</i>)	7.98	7.91
Ruble (<i>CIS</i>)	5765	5768	Won (<i>S. Korea</i>)	891	891

The Economic Bulletin is published by the Office of the Assistant Secretary of the Army (FM&C), SAFM-RB. Should you have any questions or comments please contact Dr. Robert Raynsford at (703)697-2281 (DSN 227-2281). This publication is available on the Internet World Wide Web (http://134.11.192.15/pubs/eco_blt/economic.htm). Contact WELTZLJ@HQDA.ARMY.MIL for more information.